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CONTROL OF THE GOVERNMENT BY THE RAILROADS

Under the guise of an alleged war emergency and influenced by the parrot talk to "stand by the President," the farmers, manufacturers, and shippers have lost the benefits of a nonpartisan court to fix rates, and the big railroad lines are rejoicing that they are now safely under the shelter of Government protection, and that these great wealthy railroads are no longer to be controlled by the Government, but that the Government is to be controlled by these railroads.

The aged farmer has lost his boy from the farm, the trader has had his prices fixed by the Food Administration, the shipper will be crippled by higher railroad rates; only the big railroads will escape. Only these great executive transportation heads will be benefited financially by the war.

SPEECHES OF HON. IRA G. HERSEY OF MAINE IN THE HOUSE OF REPRESENTATIVES

SATURDAY, FEBRUARY 23, AND THURSDAY,
FEBRUARY 28, 1918



WASHINGTON

1918



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SPEECHES
OF
HON. IRA G. HERSEY,
OF MAINE.

Saturday, February 23, 1918.

The House in Committee of the Whole House on the state of the Union had under consideration the bill (H. R. 9685) to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners, and for other purposes.

Mr. ESCH. Mr. Chairman, I yield 10 minutes to the gentleman from Maine [Mr. HERSEY].

Mr. HERSEY. Mr. Chairman, as I have only 10 minutes, I desire not to be interrupted.

Mr. Chairman, the pending bill attempts to provide for the control and operation of the railroad systems of this country by the President for a period not exceeding two years after the close of the present war and to fix a compensation to be paid to the owners of these railroad systems—to fix rates and wages, and to appropriate the sum of \$500,000,000 to inaugurate such operation.

At the present time these railroad systems have been taken over and are under the control of the President by virtue of the act of Congress approved August 29, 1916, which says:

The President, in time of war, is empowered, through the Secretary of War, to take possession and assume control of any system or systems of transportation, or any part thereof, and to utilize the same to the exclusion, as far as may be necessary of all other traffic thereon for the transfer or transportation of troops, war material, and equipment, or for such other purposes connected with the emergency as may be needful or desirable.

It will be noted that the bill under consideration is not limited to the control of the railroads, but extends to the operation of the same. While it is not directly a bill for Government ownership of these roads, if enacted into law this legislation will necessarily give in the conduct of these great lines of transportation conflicting authority, uncertainty, and confusion, and

must result in the demoralization of business and of the railroad service.

The Hearst newspapers, which assume to speak for the administration, claim that the enactment of this bill into law will assure Government ownership of public utilities, and Thursday in the Senate Senator LEWIS, spokesman of the administration, said:

Mr. President, I may shock those who may know me with some intimacy when I wish it understood that I view this bill as the beginning of the Government ownership of the railroads. More than that, sir, from my viewpoint this bill initiates the policy of this Government into the ownership not only of the railroads but into that era of the ownership of the telegraph and the telephone in America, to be followed by the ownership or the control of the agencies of fuel, those natural agencies—coal and oil.

I shall not discuss the question of Government ownership of railroads. Last Tuesday in this House the gentleman from Michigan [Mr. FORDNEY] made a notable speech against Government ownership of railroads. He brought to that discussion a wealth of information and research that was very valuable to the Congress. By an array of the highest authorities he showed conclusively that wherever public ownership of railroads has been tried the world over it has inevitably resulted in complete failure and a return to private ownership.

This speech appears in the RECORD of yesterday and should be read by everyone who thoughtlessly favors Government ownership. It ought to settle forever the question in the minds of those who impartially examine the subject, and I am pleased to know that despite the hysterical declamations of a few in both Houses of the Congress who favor Government ownership and who denounce imaginary plutocrats that the Congress will not commit the country at this time to the Government ownership of railroads.

When the war is over the question of Government ownership will have been settled forever, for I am sure that the future operation of the railroads by the Government during the war will result in such a failure to better our conditions that we shall be only too glad to return these roads to the rightful owners.

The history of railroad progress in this country reads like a romance. In the dark days of '61 the loyal Government under

Lincoln conducted a mighty war and at the same time built a great railroad across the continent. This was followed by the extension of railroad lines over the United States, by the granting of public lands by Federal systems, by the help of States, by the relief from taxation, by the assistance of counties and even townships, until our railroad system has grown to be the wonder of the world. It is the largest and richest system of any nation, while its rates and fares are much less than those of any other country in the world.

In the building up of these great railroad systems it necessarily followed that many promoters made themselves rich, and successful attempts were here and there made to wreck a railroad for the benefit of certain promoters.

But during the last 10 years much has been accomplished to place the railroad systems of the United States upon a sound financial basis, to prevent dishonesty in the conduct of the roads, and to place the supervision of the State and Nation over all these branches. This has been done by the establishment of the Interstate Commerce Commission, whose duty it is to regulate the fares, charges, and conduct of interstate roads. Also, many States have through their legislatures established public-utilities commissions, having authority in connection with the Interstate Commerce Commission to regulate the charges and supervise the conduct of its railroads until to-day it is almost impossible, under these laws and regulations, for a railroad company to water its stock, to issue stock and bonds, to establish unjust tolls and charges, or dispose of its franchises and property or to encumber the same without the consent of these Federal and State commissions, and it is no argument against the private ownership and operation of railroads that in the past there have been dishonest men in control of these lines of transportation. The great railroad heads to-day are men of ability and honor; their efficiency and fitness is vouched for by the President of the United States in his address to Congress January 4 last when he said:

It was in the true spirit of America, and it was right, that we should first try to effect the necessary unification under the voluntary action of those who were in charge of the great railway properties; and we did try it. The directors of the railways responded to the need

promptly and generously. The group of railway executives who were charged with the task of actual coordination and general direction performed their difficult duties with patriotic zeal and marked ability, as was to have been expected, and did, I believe, everything it was possible for them to do in the circumstances. If I have taken the task out of their hands, it has not been because of any dereliction or failure on their part but only because there were some things which the Government can do and private management can not. We shall continue to value most highly the advice and assistance of these gentlemen, and I am sure we shall not find them withholding it.

But it is said by the advocates of Government ownership that at the present time we are in a great world war; that there has come a crisis in this Nation in its transportation facilities, and that it has become necessary for the President to appoint his son-in-law as Director General of the railroad systems for the purpose of making more efficient these lines of transportation for the purpose of the war.

It is true that the great railway systems of this country have been placed in a position where they were unable to fully perform the most efficient work. While the expense of operating railroads has increased to an alarming extent the Interstate Commerce Commission during the last three years has persistently refused to raise the rates of these transportation companies. This commission has not had the courage to do justice to the railroads. The expenses of these railroads have more than doubled. They have been obliged to husband every resource to move their trains. Strikes have forced them to raise the pay of their employees, while freight rates have remained practically the same. Of necessity they have been obliged to abandon many crippled freight cars because they have been unable from their returns to give the needed repairs, and during the past year there has been thereby a loss to these roads of 57,000 freight cars.

The Detroit Free Press of January 18 last expressed this thought in an article, in which it said:

While production of coal in the United States, notwithstanding the shortage of men, has been increased, due to the use of mining machines and other labor-saving devices, there is considerably more coal consumed than formerly, due to the increased consumption of munition plants and manufacturing establishments, the increased use of coal on ships, and at the training camps. In this connection there is naturally more coal being burned, due to the severity of the winter.

At many mines there is a shortage of railroad cars, due to the fact that the railroads have not sufficient equipment to handle the enormous volume of business now thrust upon them. The policy of the Government has been one of strangulation toward the railroads for many years. Railroad credit has been destroyed and bonds and stocks could not be sold in order to purchase more equipment.

Yet, in spite of all these handicaps and unjust treatment of the railroads by the Government, we find that during last year these great railroad systems increased their traffic by 135,000,000,000 tons. This is not a failure of transportation, as has been charged, but a wonderful success.

It was not necessary that the President should take charge of the operation of these railroad systems at the present time or ask for the enactment of this bill. Had the Interstate Commerce Commission given the necessary assistance by an increase in rates those who use the railroads would pay the charges and this extra income would keep up this rolling stock and make the roads efficient.

The President under his war powers, which he has now by law, could have directed the transfer and preference of any freight necessary for the conduct of the war. As it is now contemplated by this legislation, the President shall go further and not only raise the rates on these lines, which he has already done, but raise the wages of railroad employees. This bill will place in the hands of the President \$500,000,000 to be spent as he directs, which money must be paid by taxes on all the people, even on those who do not use the railroads.

The Detroit Free Press, above mentioned, in the same article from which I have quoted, further says:

During the summer of 1917 newspapers throughout the country came out with flaring headlines advising people not to buy coal, stating that the price would be less later in the year. These statements were exceedingly misleading, and instead of the dealers throughout the country buying coal and beginning to store July 1, as has usually been the custom they procrastinated and did not begin to lay in their winter's supply until the middle of October.

In other words, the purchasing of winter fuel was postponed until at least three months and a half after the ordinary time when dealers begin to lay in stock.

Thus we find that it was not the fault of the railroads that during this present winter traffic has been congested and coal

could not be more promptly delivered to distant sections of the country from the mines.

The individual had been soothed by the Government into a delusion that the Food and Fuel Commissions would lower to him the price of coal if he would only wait and be patient, and he waited. The coal dealer had been convinced by the Government that if he stored coal it would be commandeered and taken from him, and he could see nothing in the business, and thereby did not order from the mines. So a situation had been forced upon the people which was not the fault of the railroads and has not been remedied by "workless" and "heatless" days.

This bill will doubtless pass, giving to the President and his son-in-law supreme authority over these great lines of transportation. To my mind this means endless trouble and disaster to the business of the country. The Washington Times, the home organ of the administration, one of the Hearst progeny, says that there is to be a reorganization under McAdoo of the directors, managers, and officials of all these lines. Men who have spent their lives in this work and have come up from the section man and brakeman to president and general manager will find themselves displaced by place hunters, politicians, and officeholders, who know nothing about railroading and who care less, satisfied and contented to occupy an office and draw fat salaries from the Government while the people make large appropriations to take care of the deficits that are sure to come.

The late issue of the Railway Age says editorially:

"LEST WE FORGET."

Almost exactly 12 years ago one of the wisest and farthest-seeing Americans that ever lived made a prediction. The prophet was James J. Hill. The prophecy was that continuance of the policy of railroad regulation then being adopted by the State and National Governments would bring national disaster.

The policy was continued. The prophecy has been fulfilled. The disaster has come. It has come in the midst of the Nation's participation in the greatest of all wars. The Government last week ordered the industries of the busiest and most populous part of the United States shut down for five days. It has made each Monday in the same territory an enforced holiday for 10 weeks.

Those responsible for the order say it was necessary because the railways could not haul all the coal that the mines could produce and other industries could consume—that this was the only way to relieve the transportation congestion and increase the movement of fuel.

This is but a partial explanation. Last summer the Government created a Fuel Administration and put at its head a college professor, who knows little about fuel and less about administration. The great need of the country as regards fuel was a vast increase in production. No possible amount of conservation would make the supply sufficient. To get the needed increase of production the prompt adoption of large constructive measures was essential. Prices must be so fixed as to encourage the operation of mines which under ordinary conditions would be unprofitable. Production must be raised and kept to the very maximum possible during the summer and fall months when transportation conditions were favorable. It was desirable to divide the country into zones, as was long ago done in England, so that coal would be consumed near where it was produced and cross hauling and waste of transportation be eliminated.

The large constructive measures needed were not adopted. Instead of cooperating with the railways as was necessary, the Fuel Administration spent its energies in "passing the buck" to them. With a Fuel Administration which knew anything about the fuel business, there would have been a larger amount of coal produced and transported.

The rest of the explanation of the existing situation is that James J. Hill's prediction has been fulfilled. For 12 years the State and National Governments have followed a policy of regulation intended to compel unrestricted competition between railroads and to reduce their net return to the lowest basis which the courts would not hold confiscatory. In consequence, while the productive capacity of our industries has been rapidly increasing, the expansion of the facilities of our railways has been rapidly decreasing. The final outcome was clear to every intelligent and sane railroad man or business man. It was as certain that under this policy the railways in time would become unable to handle all the country's commerce as that the law of gravitation would continue to operate or the sun to rise in the morning and set in the evening.

This Nation is now passing through its supreme crisis. The voice of the political demagogue appeals to the elements of unrest and the logic of the mob. The wild socialism that has destroyed unhappy Russia attempts here in America to clothe in darkness the lighthouse of the Constitution and by the false fires of Government ownership to lure on the rocks and the breakers of socialism the ship of state that these wreckers may share in the plunder and spoils.

In this hour of destiny the Congress of the United States should stand like a mountain wall against the delegation of unlimited power to any one man. We should also have the political courage to defy the unthinking and frenzied mob, so that at the end of this terrible war we shall return again to our old-time prosperity and to "a Government of laws and not of men."

Thursday, February 28, 1918,

Mr. HERSEY. Mr. Speaker, in the discussion of this bill last Saturday I suggested that there was no necessity for this legislation, that the President under the present law had sufficient authority to direct freights and give preference to the transportation of food, fuel, and war materials, and that this was all that was needed in the war emergency, and now after four days' debate on the floor of the House the utter uselessness of this measure is still more apparent.

The administration has contended for not only Government control but Government operation and rate fixing by the President. The minority has fought well to protect the rights of the people against the great transportation systems, but the big railroads have won out in this contest. The only amendment the minority have succeeded in adopting is to place the crippled short-line roads in a position where they may possibly share, in a small way, in the financial benefits that are now coming to the big roads.

Under the guise of an alleged war emergency and influenced by the parrot talk to "stand by the President," the farmers, manufacturers, and shippers have lost the benefits of a non-partisan court to fix rates, and the big railroad lines are rejoicing that they are now safely under the shelter of Government protection, and that these great wealthy railroads are no longer to be controlled by the Government, but that the Government is to be controlled by these railroads.

The farmers, traders, manufacturers, and shippers have in State legislatures and in Congress made a strenuous fight to put railroad rate fixing in the hands of State and Federal commissions not connected with the railroads, and after a long, weary contest against wealth and power, they finally succeeded in establishing here at Washington the Interstate Commerce Commission, a nonpartisan body of experts in rate fixing, composed of nine members whose learning, fairness, and standing are on an equality with the Supreme Court of the United States, and who during their service have made a large body of valuable decisions that have become the law of the land. They

have stood as a bulwark of defense between the people and the railroads. From rate raising by the railroads appeals have been made to the Interstate Commerce Commission, a court in which each farmer, manufacturer, and shipper could come at any time and have an impartial hearing.

This great bureau of government has grown to be one of the most important and valuable in the Nation. They have attempted the almost superhuman task of making a physical valuation of all the railroads in the country, and have a wonderful knowledge of the transportation lines in this Nation.

An idea of the importance of the Interstate Commerce Commission may be gleaned from their last report for the year ending October 31, 1917. That report shows that the expense to this Nation of this bureau for the past year was for salaries of the commissioners and their secretary, \$73,916; for employees, \$2,182,669; for rent, traveling and incidental expenses, \$1,101,213, making a total expense last year to this Government for the conduct of this great bureau of \$5,256,000.

The principal work of this great commission and bureau is to fix just and proper railroad rates between the people and the railroad companies, and it has done that work in a very effective and efficient manner.

The Interstate Commerce Commission will still exist. The expense of this commission to the Government will very likely increase during the war, but its great purpose and object has been taken away by this bill. It is now proposed by the administration to place this rate-fixing power absolutely in the hands of the President, from whose decision there is no appeal.

Of course, the President himself will not attempt to fix the rates for obvious reasons. First, he knows nothing about railroad rates; second, he will have no time, as Commander in Chief, to devote himself to an examination of railroad rates to satisfy himself what is right or wrong. He has already appointed a Director General of the Railroads, to wit, his son-in-law, Secretary of the Treasury, Mr. McAdoo.

Now, Mr. McAdoo, although a man of fine parts and a great and tireless worker, can not himself perform this stupendous

task for the reason that his time is now taken, day and night, in the great work of his office in the conduct of the Treasury Department; in the sale of liberty bonds; in the establishing of a central bank, of which he is to be the head; of conducting the financial affairs of all the Federal systems of banks; and a multitude of other bureaus and commissions of which he is either a director or manager.

Who, then, will have the rate fixing? Who will stand between the railroads and the farmer, trader, manufacturer, and shipper? I answer, under this bill the big railroad heads will fix their own rates, from which there will be no appeal. To prove this it is only necessary to call to mind the events of the past few weeks. The illustrated papers have published recently a fine photograph of Director General McAdoo and his railroad cabinet. He sits at the head of a long table, and seated around this table are the presidents, attorneys, and managers of the great railroad systems of the Nation. This photograph is entitled "Director General McAdoo and his railroad cabinet during the war."

Director General McAdoo, knowing his inability to look after this rate fixing personally, has formed what is known as his railroad staff. The Official Bulletin of the administration is published daily in Washington under orders of the President. In its issue of February 7 last it says:

Director General McAdoo has announced the organization of his railroad staff, as follows:

Assistant to the Director General: Walter D. Hines, of New York City, is chairman of the board of the Atchison, Topeka & Santa Fe Railway. He is well known as a railroad attorney and a writer on railroad and economic questions. He represented his road before the Interstate Commerce Commission in the 5 per cent cases.

Mr. Hines summed up for the railroads in the celebrated cases before the Supreme Court of the United States which tested the validity of the Adamson eight-hour law. He also represented express companies and is conversant with practically all phases of railroad operation.

General counsel: John Barton Payne is the head of the law firm of Winston, Payne, Strawn & Shaw, of Chicago. For many years he has represented American railroads in cases before the courts and various regulatory bodies and is regarded as an expert in railroad and corporation law.

Director division of transportation: Carl R. Gray, of Baltimore, has been president of the Western Maryland Railroad for the last four years,

previous to which he served as an executive on various other important railroads.

Director division of traffic: Edward Chambers, of Chicago, first vice president of the Atchison, Topeka & Santa Fe Railway, is widely known as one of the chief factors in the development of California. Entering the employ of the Santa Fe some 30 years ago, he has risen to a position of responsibility. He is credited with having done as much as any other individual in solving transcontinental traffic problems.

We find by reference to the report of the Interstate Commerce Commission that has hitherto fixed rates that they have an attorney and general counsel in no less a person than the distinguished lawyer and ex-governor of Missouri, the Hon. Joseph W. Folk, and they pay him a salary of \$10,000 per year as counsel for that commission.

The people will wonder why it was necessary, even in a war emergency, for the administration to turn away from the assistance of the Interstate Commerce Commission and its great attorney and place in this new cabinet the attorney of these great railroads. There is only one answer, and that is that in the absence of Mr. McAdoo, in his attendance upon his other and perhaps more pressing duties, his Assistant Director General, a well-known railroad attorney, may preside over the cabinet and another railroad attorney will represent his railroads as a member of the staff, surrounded by railroad presidents and vice presidents who with these attorneys will have the fixing of the rates from whose decisions there is no appeal.

The President, in his recent address to Congress, said of the railroads that when they were taken over by Director General McAdoo they "responded to the need promptly and generously." We can certainly see no reason why the railroads should not promptly respond, and in a generous manner, when they knew that they were to be represented by their own attorneys, presidents, and vice presidents in this new war-emergency railroad staff and cabinet and have the fixing of the rates on their own transportation lines, from whose decision there was to be no appeal.

It is everywhere conceded and admitted that as soon as this bill becomes a law rates will be raised on all the large transportation lines, so as to give Mr. McAdoo a large sum, called a

"revolving fund," from which to build up the railroads, and with the \$500,000,000 appropriated in this bill will temporarily take care of the short-time notes, liens, and debts now due, and will pay the advanced wages to be given to the railroad employees of the country.

An end man in a minstrel show recently put the question to his partner: "How do you expect to make McAdoo President in 1920?" And the answer was, "They are going to railroad him in." Of course, this is only a hint that this new rate-fixing cabinet, composed of railroad presidents and their attorneys, and 1,700,000 railroad employees might be in sympathy with the nomination and election of Director General McAdoo to the Presidency in 1920.

The President, in his recent address to Congress in the matter of railroad operation, speaking of these railroad heads, further says that they have "performed their difficult duties with patriotic zeal." It is not hard to understand the "patriotic zeal" of this group of railway executives. It is very easy to be patriotic when it does not cost you anything.

The present war is calling for supreme sacrifice from the farmer, shipper, manufacturer, business man, trader, professional man, and from every walk of life, except from those who have Hog Island contracts with the Government and this favored group of railroad executives.

By this bill the administration has provided that the Government shall guarantee to these railroads during the time they are under Government operation the average of their annual income for the last three years. Why should the railroads worry? They have no responsibility. Their immediate indebtedness falling due will be taken care of by the \$500,000,000 and by an immediate raise in railroad rates. After the war they will again come into their own with new railroad equipment, debts paid, without any loss of revenue, and with only the expenditure on their part of "patriotic zeal."

The aged farmer has lost his boy from the farm, the trader has had his prices fixed by the Food Administration, the shipper will be crippled by higher railroad rates; only the big

railroads will escape. Only these great executive transportation heads will be benefited financially by the war.

These big railroad systems will temporarily win an advantage, but the people will finally conquer. The farmers, manufacturers, and shippers along the middle Atlantic seaboard and the South will not suffer so much from the domination and control by the railroads, but the people of the great Middle West and northern New England will rise in their might and demand that the rights for which they and their fathers fought shall be again restored to them and that this shall be no longer a Government by and for great financial interests, but a Government controlled and regulated by just and wholesome laws.

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